S.J.S. Enterprises Limited
(Formerly known as S.J.S. Enterprises Private Limited)
Sy No 28/P16 of Agra Village and Sy No 85/P6
of B.M Kaval Village Kengeri Hobli Bangalore 560082
P: +91 80 6194 0777 F: +91 80 28425110
Email Id: info@sjsindia.com, compliance@sjsindia.com

ISO 14001 ISO 45001
ISO 9001 IATF 16949
Certified
CIN: L51909KA2005PLC036601
www.sjsindia.com

Creating Possibilities

October 31, 2024

To,

National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra – Kurla Complex, Bandra (E), Mumbai -400 051 **Symbol: SJS**	**BSE Limited** Corporate Relationship Department, 2nd Floor, New Trading Wing, Rotunda Building, P.J. Towers, Dalal Street, Mumbai – 400 001 **Scrip Code: 543387**

ISIN: INE284S01014

Dear Sir/Madam,

Subject: Transcripts of Analysts/Investor Meet/ Earnings Call of the Company pertaining to Q2 of FY 2024-25

Please find enclosed the transcripts of the Analysts/Investor Meet/ Earnings Call of Q2 FY 2024-25 held on October 29, 2024.

You are requested to kindly take the same on record.

Thanking you.
Yours faithfully,
For **S.J.S. Enterprises Limited**

THABRAZ HUSHAIN WAJID AHMED
Digitally signed by THABRAZ HUSHAIN WAJID AHMED
Date: 2024.10.31 15:58:25 +05'30'

Thabraz Hushain W.
Company Secretary and Compliance Officer
Membership No.: A51119

Encl: As above

"SJS Enterprises Limited
Q2 & H1 FY 2025 Conference Call"
October 29, 2024

MANAGEMENT: **MR. SANJAY THAPAR – CHIEF EXECUTIVE OFFICER AND EXECUTIVE DIRECTOR – SJS ENTERPRISES LIMITED**
MR. MAHENDRA NAREDI – CHIEF FINANCIAL OFFICER – SJS ENTERPRISES LIMITED

MODERATOR: **MR. DHRUV JOSHI – NUVAMA WEALTH MANAGEMENT**

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 and H1 FY 2025 conference call to discuss operational and financial performance for SJS Enterprises Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Dhruv Joshi from Nuvama Wealth Management. Thank you, and over to you, sir.

Dhruv Joshi: Yes. Thank you Sidharth. Good morning, everyone. On behalf of Nuvama Wealth and Investments, I welcome you all to the Q2 FY2025 earnings call of SJS Enterprises. From management, we have with us today, Mr. Sanjay Thapar, CEO and Executive Director; Mr. Mahendra Naredi, the CFO. So as always, we will start the call with a brief opening remarks from the management team followed by the Q&A session.

So with that, I will hand over now the call to Mr. Sanjay. Thank you, sir.

Sanjay Thapar: Thank you for the introduction, Dhruv. Hello, and good morning, everyone. I trust you would have had a chance to look at our investor presentation and the results yesterday. In the second quarter of FY 2025, SJS continued its growth momentum and delivered the highest-ever quarterly revenue of INR 1,927.9 million in Q2 of FY 2025, again, surpassing industry benchmarks. This growth was primarily driven by the robust growth in the auto segment and the consumer segment and also a strong performance in our exports businesses as well.

During the quarter, we successfully secured significant orders from both new and existing clients, strengthening our presence across vital categories like the automotive and the consumer durables. Our strategic capital investments in capacity expansion and new product development further reinforce our position to seize emerging market opportunities to drive future expansions.

Now I come to some key updates. Talking of the quarter gone by, Q2 FY 2025 was marked by yet another quarter of better-than-industry performance by SJS with a consolidated revenue growth of 18.1% Y-o-Y to INR1,927.9 million compared to 10% Y-o-Y growth in the automotive, that is 2-wheeler plus 4-wheeler industry production volumes. This growth is primarily attributable to the strong performance in our passenger vehicle, consumer, and export businesses.

During the quarter, automotive business has grown well for us both domestically and in the export markets, with 15.4% and 54.7% Y-o-Y growth, respectively, outperforming the underlying industry.

On back of robust margin performance delivery by all businesses, I'm delighted to share that the consolidated EBITDA margin for the quarter improved by 370 bps Y-o-Y to 26.6%.

Our PAT grew 50.9% Y-o-Y to INR 291.5 million with margins at 15.1%. In terms of production volumes, the industry, 2-wheelers plus passenger vehicles, grew by 10% Y-o-Y in Q2 FY 2025, whereas SJS's 2-wheeler plus passenger vehicles sales delivered a growth of 18.2%, which was 1.8x of the industry growth. This performance was mainly driven by Passenger Vehicle segment despite the industry de-growth in the segment of 0.7% Y-o-Y.

SJS has successfully repaid a term loan of INR300.0 million, achieving a debt-free status. This milestone enhances our capacity to pursue growth opportunities and strategic investments in the future. I'm also thrilled to share that we won a large long-term export business from a global OEM to supply to their plants in North America, Latin America, and Europe.

We also continued winning new businesses with mega customers like Stellantis, Mahindra & Mahindra, TVS, HMSI, Yamaha, Hyundai, IFB, Autoliv, Bajaj Auto, Visteon, Liebherr, BMW, Triumph, Royal Enfield, Dixon amongst others. Export growth was another key highlight during the quarter with a 54.7% Y-o-Y growth increase, contributing almost 8.5% to our total consolidated revenue. This achievement is testament to our successful strategies amidst new business acquisitions and improving market landscape. We are focused on deepening our penetration in the existing geographies while strategically expanding into new markets.

We also added Fiat Chrysler, Melfi, Italy; Stellantis, Detroit, U.S.A., and Stellantis, Goiana, Brazil as new customers, and this will open significant new opportunities in the coming quarters for the company. Additionally, our capacity expansion plans at the Exotech facility have been finalized with the new plant expected to be commissioned by Q1 of FY 2026.

This move is critical as a part of our growth strategy aimed at scaling our production capabilities to meet rising demand. On the ESG front, SJS has made significant strides in the ESG journey by entering into a share subscription and shareholder agreement and power supply and offtake agreement with SEPL and SOPL for the supply of up to 3-megawatt solar power.

This aligns with our goal of transitioning to green energy with renewables like solar and wind already powering nearly all our Bangalore operations. Our focus on sustainability is embedded in our long-term strategy to drive positive environmental impact. Beyond environmental initiatives, we are committed to advancing employee growth through annual training, fostering the culture of continuous improvement and teamwork. Our dedicated ESG committee provides expert oversight to ensure our initiatives align with our values, promoting a balance between business growth and social responsibility.

At SJS, embedding ESG principles is not just a moral responsibility, but a strategic priority, driving sustainable growth and enhancing stakeholder value while upholding the integrity and fairness in all our operations.

I would now like to hand over the call to Mahendra, our CFO, to update you on SJS financial performance before I continue our discussion or talk about our future growth strategy. Over to you, Mahendra.

Mahendra Naredi: Thank you, Mr. Thapar. Good morning, everyone. Let's delve into the financial snapshot. Slides 13 to 15 provide a concise overview focusing on the consolidated picture of SJS. In Q2, our consolidated revenue reached INR 1,927.9 million, showcasing growth of 18.1% Y-o-Y. This robust performance is attributed to the passenger vehicle and consumer segments as well as export.

Moving to EBITDA. We achieved INR 517.0 million, representing a Y-o-Y growth of 37.1% with a margin of 26.6%, improved by 370 bps Y-o-Y due to enhanced operational efficiencies. Our consolidated PAT for the quarter stood at INR 291.5 million, demonstrating a robust Y-o-Y growth of 50.9% with PAT margin standing at 15.1%, improving by 328 bps Y-o-Y, primarily due to higher EBITDA margins.

The company has successfully repaid a term loan of INR 300.0 million, resulting in a debt-free status. This has positively impacted our consolidated ROCE, which stands at 24.3% and ROE, return on equity, reported at 18.7% on an annualized basis.

In H1 FY2025, we generated a strong operational cash flow amounting to INR 792.4 million, with free cash flow reaching INR 663.2 million. Additionally, cash and cash equivalents stood at INR 491.3 million, positioning the company with a net cash balance of INR 388.8 million. As you are aware, with the addition of Walter Pack India products in our portfolio, we have increased range of new generation products that contributes to 25.0% of consolidated revenue during Q2 FY2025.

Walter Pack India acquisition has effectively balanced our portfolio across 2-wheelers, passenger vehicles and the consumer segment in the right manner. During Q2 FY2025, export witnessed growth of 54.7% Y-o-Y to INR 164.6 million. Q2 FY 2025 export constitutes 8.5% of the total consolidated sales. As you are all aware, both Exotech and Walter Pack are primarily domestic business and hence, export as a percentage of consolidated sales is at 8.5%.

I would now like to hand back the call to Mr. Thapar to discuss about our future plans and growth outlook.

Sanjay Thapar: Thank you, Mahendra. Moving to our outlook for future growth. As we look ahead, a key strategic focus for our company is the expansion of our export footprint. As we mentioned earlier, our ambition is to significantly increase the share of exports of our consolidated revenue, and we are actively working towards receiving a target of 14.0% to 15.0% export contribution to our consolidated sales over the next three years.

This growth will be driven by a combination of expanding our presence in existing markets, entering new geographies, and optimizing our product offerings to cater to the global demand. We are confident that this strategic emphasis on exports will not only diversify our revenue streams, but also enhance our market positioning and reliance on domestic market fluctuations.

Over the past few years, we've significantly enhanced our value proposition for passenger vehicles with content per vehicle growing by more than 3x. By positioning ourselves as a onestop solution provider, our focus remains on developing innovative products that meet future customer demands, thus expanding our addressable market and securing long-term growth opportunities.

Our commitment to executing both organic and inorganic growth strategies, including optimizing operational efficiencies and expanding market presence will drive profitability and sustained growth for the company. We are poised to continue delivery of exceptional value to our stakeholders by capitalizing on cross-selling opportunities and maintaining a strong focus on premiumization.

With that said, I come to an end of my quarterly updates. Thank you. We are now open to answer questions.

Moderator: Our first question is from the line of Amit Hiranandani from SMIFS.

Amit Hiranandani: Congratulations team for the good set of numbers and festive greetings to everyone here. Sir, my first question is on the Walter Pack India. So in H1, WPI broad revenue is approximately INR 85.0 crores to INR 90.0 crores. So as we know that this is a pause year for passenger vehicles industry. So do you think we can sustain this run rate in H2 as well? Also, if you can help us understand what will be the growth drivers for WPI in the coming three fiscal years, please?

Sanjay Thapar: Okay. So thank you for your greetings and Diwali greetings in advance to all of the attendees and your families. So Walter Pack, as I said and maintained, is a very important strategic acquisition that we did and we are very happy because we are today able to address businesses on RFP from customers for a variety of new technologies, products, which are a combination in some cases of IMLs, including chrome plating, painting in some cases and also SMEs. So we are extremely bullish. So I'll start with the outlook for the next 3 years.

We are addressing very large global RFQs, which have IML content in them. The domestic market, we continue to be in dominating position. We won new businesses. There are some new businesses, exciting businesses, that are starting with the likes of Mahindra and Maruti Suzuki. So the growth outlook continues to be very promising. And I think for the specific quarter, as you're aware, Tata Motors is a large customer for Walter Pack India. Tata Motors volumes, especially for the Safari and Harrier, they have very large high content materials from Walter Pack is supplied were a little soft in Q2.

But this demand is coming back and there are some new models also that are now picking up at Tata, and we expect this growth to be strong. So we remain positive on Walter Pack, both for the current year as well as the next three years.

Amit Hiranandani: Great, sir. Sir, on a Q-o-Q basis, there was 5.0% drop we have witnessed in the subsidiaries revenue. I mean, the Exotech plus WPI. So this, we believe, it's majorly due to the WPI only, as you know, where it's top passenger vehicle clients like you named Tata Motors has been decline for the same period. And this has also impacted the EBITDA margin, which came down to 19.0%

in Q2 versus 21.6% in Q1. So here, basically, if you can help us understand whether this level of margins for the subsidiaries are sustainable or there is some scope to improve it further?

Sanjay Thapar: No, definitely, there is a big scope for improvement, as I mentioned in our earlier calls. Whenever we introduce a new product, there are a lot of trials that go on. So in the short run, margins could get impacted. But specifically for Walter Pack, as you say, it was clearly a function of lower sales to a key customer because the demand of the customer was lower.

I think with the inventory corrections that have happened in the recent few weeks; we see demand coming back. So I would imagine that this will come back. So we are still at a 25.0% to 30.0% outlook for Walter Pack moving forward.

And as I said earlier, we are in a very dominant position because there are not very many companies which have this capability. So we are quite confident and optimistic that in the long run, we will be able to come back to those margin numbers that we've looked at when we acquired Walter Pack.

Amit Hiranandani: So sir, what was the margin number in Q2 for WPI only?

Sanjay Thapar: As we said earlier, we don't guide on specific margins. I would like you to think of us as a consolidated company. Historically, we've been talking about SJS and Exotech and Walter Pack separately, but there are a lot of cross fertilization that happens across companies because some part of the printing is done in another company, molding and injection molding could be done in other location.

So it's a little complex to understand on a discrete basis. But largely, I maintain what I said. It was just a one-off that the demand from a particular customer was lower, resulting in lower sales. So specifically, if you want, Mahendra, if you'd like to add something to this, please.

Mahendra Naredi: We are not guiding about the margins separately. Please see us from a consol SJS. And this quarter, SJS, we have delivered an EBITDA margin of 26.6%.

Sanjay Thapar: The group, that's what Mahendra is talking about, consolidated of everything put together. So I think that's a very strong bounce.

Amit Hiranandani: No, no. Fair enough, sir. Sir, my second question is on the export side. So we have seen a very good jump on a Y-o-Y basis despite poor macroeconomic situation in the U.S. and Europe side. So just wanted to understand what has led to this growth and which clients have contributed for your second half guidance, please?

Sanjay Thapar: Yes. So exports, as I mentioned earlier, we have all the capabilities, and we are unique globally in terms of what all we have. We have a very long-tenured OEM relationship with global OEMs. They recognize us for our design to delivery capability. And we are very thrilled.

As I mentioned earlier, we were chasing some very large global products and businesses. For the first time, I'm very happy to announce that SJS has the complete ownership of a new global platform for the entire range of badges for a particular model. So we will be supplying, or we are the people in the eyes of the customer. We have an ownership for a new global program, which will be launched across North America, Europe and South America, extremely large quantity.

And I think that will set the tone for other OEMs or other global OEMs to trust SJS with branding of their entire range of vehicles across the globe. So this is the one of the three. We have worked very hard to be here. And the sales for the new program that we've announced for these three locations will commence in a gradual manner, from June of FY 2025. These are 4, 5-year programs at an average and volumes are extremely large.

So that gives a lot of confidence to us to win or target more such businesses. Specifically for the quarter, the export performance that you said, largely, we've had great success with Visteon. We supplied to their programs across the world. Volumes have improved. We've added Visteon as a new business. And that has contributed to growth. We've started supplies to Continental, which has let to this improved export performance for the current quarter.

Amit Hiranandani: So H2 run rate is sustainable, right?

Sanjay Thapar: Ye. So we are optimistic that exports is a good growth story for us, not just for H2, but also for the next 4, 5 years. So when I said that 14.0% to 15.0% of my top line should come from exports, we see that margins are better. We are cost imperative. We have the product portfolio. And most importantly, we have customers trusting us. So with this large business, it's actually first of its kind for SJS. And with this under the belt, we hope to deliver this program very successfully across the globe.

We should be able to target more such large global businesses. While we continue to make good inroads in India, I think diversifying to the export markets because we had a very negligible presence so far. So there's a huge TAM or untapped market opportunity available for us, and that is what drives our export focus.

Moderator: Our next question is from the line of Ajox Frederick from Sundaram Mutual Fund.

Ajox Frederick: Sir, how much of business did we do from the consumer side during the quarter and the first half?

Sanjay Thapar: Mahendra, could you give some specific data on that?

Mahendra Naredi: In the first half, our consumer business contributed 20.6%.

Ajox Frederick: 20.6% in stand-alone?

Mahendra Naredi: That is consol level.

Ajox Frederick: 20.6% of the total revenues came from consumer business?

Mahendra Naredi: Right.

Ajox Frederick: Understood, sir. And what is the outlook here, sir?

Sanjay Thapar: I mean, that's what we've guided that large growth will come out of 4-wheelers because we are tapping or exploring large opportunities overseas in addition to our strong presence in India. So growth will be led by 4-wheelers. Consumers will continue to be about 20.0%, 22.0% of our overall revenue. And the 2-wheelers is close to about 35.0% of our revenue.

So this is what the sales pie will look like, and we will grow secularly across all segments. So we are addressing large consumer businesses as well. There are untapped areas in consumer that we are targeting, business development teams are working on. So we are extremely bullish on all these segments. The large growth will come from 4-wheelers and consumers. So those are the two growth vectors that will drive us forward.

Ajox Frederick: And for the first half, how much of 4-wheeler business did we grow? I mean, what is the growth in 4-wheelers?

Mahendra Naredi: Our H1 sale from the passenger side is contributing around 40.0%. So when you say the growth in H1 from the passenger vehicle, we reported at 52.0%, 51.8%, precisely.

Moderator: Our next question is from the line of Khush Nahar from Electrum Portfolio Managers.

Khush Nahar: So my first question was on the capex. So if you could guide what would be the capex amount for the next three years and separately mentioning the capex required for the Exotech and WPI plant?

Mahendra Naredi: Khush, regarding the capex, we were guiding earlier also, there is a maintenance capex, we say around INR 15.0 crores per annum, every year we are doing for all the three companies. And apart from that, we are doing the specific capex and we so far identified one is the Exotech expansion, and we allocated around INR 80.0 crores for the same.

Second was the optical glass factory, the investment. We allocated INR 40.0 crores before that. So if you talk about a period of three years, somewhere INR 170.0 crores to INR 190.0 crores, roughly, we have a capex plan. And as we initially mentioned, this Exotech capex, this plan has been finalized and some portion now started incurring. So you will see a capex in the current financial year in FY 2025.

Khush Nahar: Okay, sir. Are there any timelines on the optical cover glass completion capex and this would be in Bangalore only or where is the location for this?

Sanjay Thapar: It will be Hosur. That is the geography we've highlighted because Visteon is in Tamil Nadu, and they have set up a localization or a glass display manufacturing facility there where they will do the assembly of the display. Cover glass is going to be a component that we supply. Since that is our first customer, we will locate that plant there. It is not very far from our current Bangalore facility. So Hosur is the location, and we will start investment in this year.

Khush Nahar: So by FY 2026 end, we can see the completion and from FY 2027 revenues. Is that right?

Sanjay Thapar: Yes, that's what I mentioned. So FY 2026 is when we should see revenue because this is a long gestation time. There are stringent validations that are required to be done. So all that will go on. And FY 2026 is when we should see revenues coming out of the cover glass business.

Moderator: Our next question is from the line of Ashwin Patel from LKP Securities.

Ashwin Patil: Congratulations on a fantastic set of numbers. My first question would be on the margin, sir. In first half, we have reported margins in the excess of 26.0%. But we have always been maintaining our margin guidance of about 25.0% plus. So are we saying something that, second half, we may see margins to fall a bit. Just wanted to have your margin outlook for FY 2025 and going forward? And also the RM basket, how is it looking to you and some guidance on that, please?

Mahendra Naredi: Yes, margins, we've already said that we are quite at the top of the pack in terms of margins of the company. We focus on high-margin, high-technology products, and we've been able to sustain this and deliver that performance year after year for past many years now. So as I said earlier in my earlier calls, we're not worried about margins because margins are a function of what new products that we launch.

When you launch multiple new products, there are instances where you have to do a lot of validation. A lot of trials are done, where these parts are not meant to the customer. So in the short run, margin could have a blip for one quarter or two quarters. But as we've demonstrated very, very rigorously in the past, we always find a way to come back because we have extremely strong connect with our supply chain, our suppliers and very, very strong focus on operational efficiencies. So in this quarter, we reported a 370 bps increase in margins.

So focus on operational efficiency is always key and paramount in our company. So we continue to drive growth. But at the same time, we want to increase our trajectory for sales growth. So I think our building blocks are in position now. We have all the technologies that we need as a company.

We have a very strong management team, which can control operations in a very focused manner to drive that efficiency that we want, and we are looking at new product introduction, entering new markets that will move it to the next orbit. So my focus on the company is margins will follow.

So that's why a generic margin that I have always maintained that it will be at 25.0% margin. Broadly, it would be 26.0%, it could be 24.5%. But we don't deviate from that. So that is the benchmark when we look at any new business, the first question to be asked is that how profitable is this?

So we are extremely focused on profitability, and we'll continue to be focused on profitability. And we are now driving the growth engine. And the reason why I mentioned the export market for the last two earning calls really that there's a very large untapped opportunities where I am competing against people in high-cost countries, and we have demonstrated the capability. So once my export business increases, my margins hopefully should increase, but I still maintain guidance at 25.0%.

Ashwin Patil: Okay Sir, my next question would be about the industry. What would be the aesthetics industry size at this point in time, the market size? And what would be our market share and our competitive position within that industry?

Mahendra Naredi: So I split this question into two. So what is the size of the market in India. So CRISIL, at the time we IPO we had put out data. But this market is evolving because more and more premium products, which we have not thought of when CRISIL published that original report that the industry will grow at 20.0% CAGR. So we should be at about INR 5,000.0 crores size of the market in India. And globally, of course it is upward of USD 3.5 billion. So always, what is very interesting for me is that while we continue to be a very strong player in the Indian market, winning businesses, we have extremely strong relationships with our customers. a big slice of the export business is what the focus is.

So USD 3.5 billion business versus the Indian markets, of course, we have continued to be strong. We continue winning new business and new programs. So our import, we take is extremely strong. But the export is the game changer if you see. So we are seeing ourselves as a challenger in the global market. So there are a lot of new programs. This new program that I said we won with Stellantis is in wake of competition from all the traditional player that they depended on.

We did a lot of technology shows, we demonstrated our capabilities of the lot of sampling, etc that was done concept setting and that has resulted in this business. So I see us knocking very hard on those global market opportunities on the USD 3.5 billion market that SJS is quite geared to focus on. And so I see a strong runway, a lot of levers to growth and continued growth for the company, having built the capability that we have over the last 4 years, 5 years.

Moderator: Our next question is from the line of Abhishek Jain from AlfAccurate Advisors. Please go ahead.

Abhishek Jain: Sir, my first question is the Exotech, that new plant is going to start from the first quarter FY 2026. And what would be the incremental revenue of that business?

Sanjay Thapar: We hope to double the revenue in the next three years in Exotech that is the idea. There are large pockets of opportunity that we've not addressed. As we said, we inherited legacy plant, we have worked very hard to improve efficiency and improve margins quite significantly at that plant. We now see that there are a lot of opportunities, not only for chrome plating, but also for printing and that is this plant that's going to do. So our order intake is extremely strong, a lot of new prestigious model we won, and we see a good growth trajectory. So broadly, bonding growth in the next three years at Exotech is the target for this new plant.

Abhishek Jain: Sir, what is the asset turnover of that business?

Mahendra Naredi: Your question is about actual turnover of the Exotech. That was your question, right?

Abhishek Jain: So you are putting around INR 80.0 crores in the plant. So what would be the asset turnover of that vertical. That was to say enters of new business.

Mahendra Naredi: Asset turnover of Exotech. That is what you are saying?

Abhishek Jain: Exotech, of new business.

Mahendra Naredi: Okay. So we are contemplating that the turnover would initially start at a lower, but at a peak level, we will reach up to 2.5x.

Abhishek Jain: 2.5x. Sir, in standalone business, how do you mix in PV series 2W and consumer side sir?

Sanjay Thapar: In these standalone SJS business?

Abhishek Jain: Yes, in standalone business, how is the mix?

Mahendra Naredi: So standalone business, our two-wheelers constitute in the range of 55.0% to 60.0%, passenger vehicle around 20.0% to 25.0%. Consumer headwind contributes somewhere 15.0% to 18.0%. Yes. That is largely in SJS in standalone.

Abhishek Jain: And export, which contributes around 7.5% that only into the standalone business?

Mahendra Naredi: Yes export, we had INR 16.5 crores and that is largely from the SJS standalone.

Abhishek Jain: So in this quarter we have some very strong growth in around 21.0% on the top line. So what is the reason on that particular growth. Is it because of the new business being in the [inaudible 36:48] side?

Sanjay Thapar: We have got new business wins from customers like Bajaj, customers like TVS, Royal Enfield, despite the decline in the vehicle volume by the OEM, our sales grew because we have high-value parts. HMSI, we won new businesses on their models. So we have had a very strong set of numbers in terms of what volume Mahindra, for example, we won a lot of their new businesses like the Mahindra Thar. So we have a very large content in that vehicle and that's doing extremely well, so it's a secular growth that we have.

So when I said that we have a very strong order intake, so new models at all these customers have contributed to that growth. SOP of some new businesses started. So while the form in the passenger market has declined. We've grown close to 22.0%. In the two-wheeler business also, we have had good growth. So I would say that our sales banks have done a good job.

Moderator: Next question is from line of Hitesh Goel from Riddhish Advisors. Please go ahead.

Hitesh Goel: Sir, can you give us the number for Exotech and WPI revenue for second quarter of FY 2024?

Mahendra Naredi: FY 2024, we have Exotech is in the range of INR 38.0 crores and Walter Pack was INR 39.0 crores.

Hitesh Goel: INR 388.0 crores.

Mahendra Naredi: Yes.

Hitesh Goel: Yes. Okay. And the Exotech margins on a Q-o-Q basis would be stable directionally? Revenue is similar.

Mahendra Naredi: As we said, as we have said, we acquired this business at the 12.0% EBITDA margin. We grew up to 18.0%. So my steady-state guidance on margins at Exotech is 15.0%, 16.0%. That is our overall guidance. So Exotech, we are better, but then we are investing into a new plant that would impact that a little bit, but directionally, we will be at that 16.0%, 17.0% until I of course, get export business into this company, where we hope that margins will be better or higher than what is there in the Indian market.

Hitesh Goel: Sir, my last question is on Walter Pack. So if we look at second quarter revenue of Walter Pack, it doesn't seem to be much of a difference, right? I mean, INR 46.0 crores was INR 44.0 crores types, right? Still, I think margins have got impacted a lot. Is it because of the new models that you've got into and there is some tooling impact or a moderation impact, if you can tell us something on that.

Sanjay Thapar: No, pricing remains strong. So all that is good. Yes, there are some new models ramp up sales, which causes a lot of trials, etc to be done, which are not built for the customers. So that's what I said. A quarter two to quarter, we are not so worried because that is inevitable when you launch a new model, that's a part of the business largely it was impacted by sales. So we had a shortfall at a customer where we see now sales coming back. So it's a function of newer sales for this quarter.

Moderator: Our next question is from the line of Jasdeep from Clockvine Capital Advisors.

Jasdeep: Sir, the new contracts that you have mentioned from Stellantis where you're supplying to three plants or three geographic regions of the client. What kind of products you would be supplying to them. Are these plain vanilla chrome badges or this export would be led by Walter Pack in the products like IML badges?

Sanjay Thapar: No, it's a mix of all technologies. So fundamentally we will own the complete monogram and badging for these global platforms, so across the world across three regions. So there are totally about 27-part numbers that we will supply. There are various technologies. So, you have moulding, painting, assembly some special technologies. Then we have some 3D lux parts. We have hot spoiling. A key factor here is that we moved away from discrete components. So there will be some assemblies as well.

So that is a big leap forward for SJS. So, so long, we were supplying discrete components. But now we are going to subassemblies and assemblies, which will help us scale up those businesses even better. So OEMs like fully finished parts, maybe suppliers would take responsibility for doing subassemblies and supplying to them. So that is the strategic direction that we followed, and we are very happy to be awarded this global program. So that's, I think, very prestigious.

Jasdeep: Sir, what kind of kit value do you envisage per vehicle in this contract?

Sanjay Thapar: So it's about INR 300.0 crores business overall, to be supplied over the next 4, 5 years. So broadly that is it. There are multiple badges that goes. There's a badge in the front and the rear, on the side, there's some branding that happens. So we've given some proposals that the customer found very exciting. So the entire program ownership for badging is given to us.

Jasdeep: Got it. So the value of the program is INR 300.0 crores over 5 years?

Sanjay Thapar: Yes, 4 years, 5 years because there are multiple models and variants. So yes, largely yes.

Moderator: Our next question is from the line of Prateek Giri from Shub Lab Research. Please go ahead.

Prateek Giri: So I just wanted to understand capital allocation in WPI segment. This is a segment for us, which is a very high margin with differentiated products. But we are not seeing any incremental capital allocation in this business. And I'm assuming that the capacity which we have there in Pune is already at higher capacity utilization. So if you can throw some light here, are we planning to do some capex here or put some more money to the plant, etc?

Sanjay Thapar: So certainly, we are expanding at Walter side as well. So as we mentioned earlier, so capacity or close to capacity is the plant in Pune, which is Exotech, Walter Pack capacity utilization is still about 70.0%, 75.0%. So we have capacity. We invested in this business or build capex in the first year when we acquired this business. And as we've said that we have acquired a 7.5-year acre land parcel very close to both the Exotech and Walter Pack facilities. So there is expansion, enough room to grow. So we are adequately invested in Walter Pack. Mahendra, would you like to add to this question on capex. For capex, capital allocation for Walter Pack?

Mahendra Naredi: Yes. So Prateek, when we acquired this company, they went into a major capex. And there was a change in the technologies happened when we took over this company. So at that time, the company has invested heavily. And in the last year also, we have had a good amount of capex in this company. And we are growing in this company, like Mr Thapar said, we are 75.0% kind of a capacity utilization at this moment. And 25.0% is still available. And we are doing our capex on an ongoing basis. So I think, we are fairly well located there. And like Mr. Thapar, we have Exotech where we have the land available for any future expansion. So that's where we are covered fully.

Sanjay Thapar: So just to add to that question. So IML printing on the Walter Pack business is in two parts. One is the printing business. The other is the injection moulding and forming business. So those are the complex part of this whole business. So we have adequate capacity at Walter Pack and just to tell you that we have a lot of fungibility in terms of our processes. So at Bangalore in case there is any need for any large program or sudden spurt in volumes for a customer, we can supplement and support that effort out of other parts as well.

That's why my guidance on this is that think of us as a consolidated entity. Not as some of the parts of Walter Pack, Exotech and SJS. So we are quite fungible in terms of the technology that we have, except of course for chrome plating which is a distinct process on its own. So there's a lot of commonality between Bangalore and the facility that we had in Bangalore, SJS stand-alone and Walter Pack. So we do moulding at both locations, we do printing at both locations. Of course, forming and very high-end cutting trimming in complex shapes is what is the capability that we have at Walter Pack.

Prateek Giri: Understood, Mr. Thapar, very helpful. So in conclusion, I could get is that we are still at 75.0% capacity utilization with fungibility option there. And then in Exotech also will have the land parcel to do capex in case required for Walter Pack?

Sanjay Thapar: Yes. So the little commissioned by project. So injection moulding is common to both Exotech and Walter Pack. So whatever investment is happening, we have an opportunity to supplement Walter Pack should that demand accelerate what we have to do. But for the moment, we are good.

Prateek Giri: Understood. Very helpful Mr. Thapar. Just one clarification, Mr. Thapar, you said, for the glass business, the optical glass business, the revenue will start FY 2026. So should we assume is it Q1 FY 2026 or mid-way or the later part of the year.

Sanjay Thapar: I would say the third. I would say that Q2, Q3 is when we should see revenues coming out of that front.

Moderator: The next question is from the line of Manan Poladia from MKP Securities. Please go ahead.

Manan Poladia: First of all, congratulations on a good quarter. Sir, my question was with respect to the question that the previous participant was just asking about injection moulding and capacity utilization at Walter Pack, when you say fungible, if you could, say, put a number to what our current contribution of top line is coming from mould forming as a business? And what sort of capacity do we have to do, including the fungible capacity at SJS plus the current capacity at Walter Pack. What still can we get to?

Sanjay Thapar: No. So let me clarify. So when I said fungible, that was to say that if there's a sudden spurt in demand, SJS at Bangalore can step in, but at the moment, Walter Pack is a fully self-contained plant, they do their own printing, they do their own forming, they own their own 3-axis and 5-axis trimming and injection moulding, both 1K and 2K injection moulding. So there are comprehensive composite plant capable of doing everything from design to be designed to component manufacturing.

So what I said of what fungibility was an answer to say that what capex we have, as we said, we've adequately invested in this business in the first year of operations itself that was last year. And we have close to about 25.0% spare capacity. So theoretically we could increase sales without incurring any significant capex at Walter Pack.

That was what I meant when I said fungibility. So what I'm saying is that all companies because they're on a high-growth injector, if you have a large global business, for example, or a large domestic business, where you need the volumes, then you need to create capacity quickly. And the fungibility I said, primarily was that we have similar capabilities at SJS Bangalore, which could step in to supplement any efforts? Should it be required, not that we need it at the moment. So that was my question. Anything else specifically or did I miss any part of your question?

Manan Poladia: Understood. I think that answers my question. Sir, my second question is with respect to that one model that you said you've gotten full ownership of a program from an OEM. Is that to say that you are a Tier 1 for that OEM for that particular product?

Sanjay Thapar: That's right. So we will supply these badges. Sometimes the OEM because of the supply chain would say that there's a person who supplies a number and this logo will come on the bumper. So we have ownership of all the badges that go on to that major and it's a global program across the world. So we are Tier 1. The purchase orders will come to us directly from the OEMs.

Manan Poladia: And see, I know that we do a lot of business for other tier 1s. So would you say that the margin on this business would be meaningfully different?

Sanjay Thapar: No, as I said, we have a standard benchmark that our margins are north of 25.0%. That is what our target and aspiration always is, and we will always focus on that. As I said, export businesses tend to be a little bit more profitable for a simple reason that we compete with suppliers in countries across the world, Europe, North America. And we tested ourselves for quality cost efficiencies, you can understand you don't win large global businesses unless you take all the boxes in terms of quality, cost, delivery, and general fund capabilities. So there's a very rigorous process that go through. So I'm very excited really to open the door to large global programs.

And our focus now, of course, will be to take the same step forward because that can give you a credibility even more in the global market. So SJS is a known company, so we have a relationship with many, many OEMs across the world. But then when you do these large global programs, other people sit up and take notice. So I think we are absolutely on track of what we intend to do.

Manan Poladia: Right, sir. So just one short follow-up on that. Sir, you said kit value is 3x, could you like I remember that your entire plan was to increase the kit value with the optical glass and stuff like that within the new programs that were starting at Mahindra, TATA, etc. If you could just quantify as to what was the kit value PV last year and what is the average kit value this year?

Sanjay Thapar: So as I said, three years ago, our kit value for four-wheelers specifically two-wheelers largely remain as it is with some new addition for cover glass for display for two-wheelers. Then you have the electric vehicles coming in. But four-wheelers largely was INR 80.0 per vehicle roughly, which today after Exotech, Walter Pack and what the new product we have from SJS is currently about –INR 5,000.0 at an average per vehicle and moving forward with cover glass coming in, it could be in the region of INR 8,000.0 to INR 10,000.0 per vehicle. That's what we have said.

Moderator: Our next question is from the line of Jatin Chawla from RTL Investments.

Jatin Chawla: Quick question. On your export side, with this large order that you have, it seems you're already at 8.0%, at 8.5% of export contribution and this order can add 5.0%, 6.0% contribution. So you would already be at 14.0%, 15.0% top line, which is what you were aspiring on a medium-term basis? And having won this order now, I'm assuming you would be targeting more orders like this. So over the medium term, what sort of export share as a percentage of top line expectation, should we think of for the next 3 years to 5 years?

Sanjay Thapar: So two things. One is our revenue trajectory will grow. So it will be on a higher revenue number than I say 14.0%, 15.0%. 14.0%, 15.0% of a much higher number than you see today. That's one. The second is that most of these programs, I mean, I am extremely confident or optimistic rather that we will win a lot of these global businesses. That is what our focus is going to be in the coming quarters.

What we want to do is that while we win these businesses, there are some ramp-ups of these programs. So it's not that they start from day 1. So when I guide to that 14.0%, 15.0% sort of number, after three years. So these programs will come to maturity in maybe a year, two years. So it takes time. So every time that I win a business, I mean it has been a replacement business.

I hit the ground running, and I can add to my export numbers. But when I win a new global platform that the customer is launching, so then it is pretty much determined by the launch schedule of that customer at what volumes in year 1, year 2, year 3. So usually, the second year is when the volumes really ramp up and come close to maturity of their average annual take rate.

So I think largely, we'll still stick to that. that 14.0% to 15.0% of my sales of the increase sales over the next three years. If that is exports, I'll be happy. But then I'll be happier if I had to do more. So it's not that we are stopping at 14.0%, 15.0%,there's a very large unaddressed market which is very exciting to be.

Jatin Chawla: And typically, what sort of time period before you can kind of get these orders, what sort of engagement needs to happen?

Sanjay Thapar: So we do a lot of test shows. So typically, we are known. So as an Indian brand, I think more and more OEMs, so we are today, as I said, maybe the unique in the world, so to speak, in terms of one company having so many capabilities under one the roof. So for that, we are highlighting during all the tech and presentations that we had with our customers. They know us, they know our track record in terms of export capability to 22 countries across the world.

So I think we tick all those boxes. Winning businesses is largely a function of when the program launch. So typically, a customer starts work a year or maybe nine months before they start a new program. So the global standard is close about a year before they launch a program. They look at supplies because there are various events for approving, auditing, getting samples, doing vehicle trials. So that takes close to about a year, in some cases, maybe 1.5 years as well.

Moderator: Our next question is from the line of Manan Vandur from Wallfort TMS. Please go ahead.

Manan: I had only one question, so last quarter, you mentioned something about the medical device, which you are going to supply. And you said that you are in talks with some clients. So can you please enlighten us on that?

Sanjay Thapar: We don't name specific customers, but as I said, medical devices is an area of interest for us. At the moment, it is a very, very small part of our business, but it could be big and I mentioned that in the context of our inorganic growth ambition. So North America and Southeast Asia are two target geographies. And the reason I mentioned the medical devices especially was that a lot of that manufacturing happens in Southeast Asia.

So if we can acquire a company, which already has a medical device manufacturer, as his client, we could step in and scale up by cross-selling the multiple products that we have. So that was the context that I said. So at the moment, it's still small for us. We are supplying to two Indian companies, small numbers, but our ambition is large.

So we are looking out for opportunities to expand the medical device or address that market. And this will be a complete new trajectory of growth for us. So at the moment, it's still nascent times or early times.

Manan Vandur: Okay. So what exactly devices do we sell?

Sanjay Thapar: There are stuff like blood pressure monitors, which require overlays, there are displays that we are targeting on these products. So some in-moulded electronic products also applications could come in. So these are the potential products that would go into these devices, which are in our scope.

Moderator: Our next question is from the line of Mohit Madhiwalla from Envision Capital. Please go ahead.

Mohit Madhiwalla: So just one question on the asset held for sale. So what exactly was this land and building pertaining to? And when do we expect these cash flows to come in?

Mahendra Naredi: Yes. Mohit, we have a vacant plant in SJS Bangalore. We currently operate in a facility, which we have shifted in 2018, 2019. So our old plant is now vacant. And the Board has decided to monetize this asset. This will be a kind of a strategic move for us, and that will help to strengthen our financial conditions, financial and that will help to our organic as well as inorganic initiatives. And at the same time, that will also help to improve our asset turnover ratios.

Mohit Madhiwalla: Right, sir. Understood. That makes sense. And do we expect these cash flows to come in, in FY 2025 itself in the second half?

Mahendra Naredi: So this process has been initiated. Generally, this process takes some time. We can't confirm to this year. but maybe within, let's say, a period of 12 months, we expect the cash inflow.

Moderator: Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to the management for closing comments.

Mahendra Naredi: I would like to thank everyone for joining the call. I hope we have been able to respond to all your questions adequately. For any further information, we request you to please do get in touch with our Investor Relations team. Wish you all a happy Diwali. Stay safe, stay healthy, and thank you once again for joining with us.

Moderator: On behalf of Nuvama Wealth Management, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.